**MR2300 Unit 1 (Chapters 1-4): Introduction to Market Research**

**Learning Objectives:**

By the end of this unit, you should be able to:

1. Define Marketing Research
2. Define the Marketing Concept
3. Explain the role of research in marketing strategy
4. Identify when Marketing Research is needed.
5. Discribe the characteristics of valuable information
6. Describe the three basic types of Marketing Research
7. Outline and discuss the stages of the research process
8. Identify the ways which marketing research departments are organized.
9. Discuss the ethical implications of Marketing Research

**Learning Materials:**

Read: Chapters 1, 2(first section), 3 & 4 - Essentials of Marketing Research, 2nd or 3rd edition William G. Zikmund, Thompson.

**Overview of this Unit**

In this introductory unit, a foundation of marketing research concepts will be laid out for you. Marketing Research allows decision makers to gather and interpret data in such a way as to provide valuable information that will, if used correctly, facilitate better decision making. This unit will provide you an overview of marketing research and explain its relationship with marketing in general. Building on this foundation the unit goes on to discuss various types of marketing research and their place in the overall process of developing sound marketing strategy. As well, this unit will also look at how organizations can best organize themselves to take advantage of marketing research. Finally the unit concludes with a discussion of some of the ethical considerations in conducting marketing research.

**Learning Activities for Unit 1**

This unit will require you to complete the following:

Read the Learning Objectives for this Unit: These learning objectives direct you to the key material in this unit. When reading the assigned chapters, consider the learning objectives and focus your study on developing a strong understanding of these objectives. Further - the questions on the tests will reflect the Learning Objectives.

* Read Chapter 1 - The Role of Marketing Research
* Skim Chapter 2 - Information Systems: Focus your Reading on "The Characteristics of Valuable Information"
* Review Chapter 3 - The Marketing Research Process: Chapter 3 will be looked at in more detail in Unit 2 so for the purposes of this unit a basic reading of the chapter will be enough.
* Read Chapter 4 - The Human Side of Marketing Research: Pay close attention to the ethical issues raised by conducting Marketing Research.

**Marketing Research Defined**

Marketing research is the systematic and objective process of gathering information for aid in marketing decisions. Properly gathered, Marketing Research will be:

* scientific; not intuitive or haphazardly gathered
* objective
* impersonal

Marketing Research can be gathered for one of two basic purposes:

* for no specific reason other than to expand the basic limits of knowledge - Such research is known as basic or pure research.
* for the purpose of decision making about a specific real-life problem - Such pratical application is known as applied research

Both types of research employ the scientific method—the analysis and interpretation of empirical evidence (facts from observation or experimentation) to confirm or disprove prior conceptions.

**The Marketing Concept**

Marketing research is just one aspect of marketing. Recalling the basic communication process, research allows for feedback between the potential consumer and the organization. Marketing Research is one of the prime tools enabling firms to implement the philosophical idea of the marketing concept.

The marketing concept focuses on:

**The consumer**. Successful firms ensure that its products and/or services meet or exceed customer’s expectations. This is achieved through developing an in-depth knowledge of consumer needs through research and development.

**Long-run profitability**. Without profit a firm will not survive. Profit in the long run is essential to allow the firm to meet customer needs.

**Corporate Integration**. The integration and coordination of marketing and other corporate functions is important. Different departments have different goals, and lack of coordination can result in a reduction in effectiveness.

Marketing research facilitates the achievement of the Marketing Concept by:

* Identifying problems and needs of the consumer and help the marketing executives produce the product the consumer wants.
* Ensuring that the marketing program is geared to maximizing profit while satisfying consumer needs.
* Allowing for the gathering and analysis of data and ensure corporate efficiency.

**The Role of Marketing Research in Marketing Strategy**

As we have already learned, Marketing Research’s key managerial value is that it serves to reduce uncertainty by providing information that will facilitate better decision making to help achieve an organization’s strategic goals.

Before proceeding, it is important that we understand a little bit more about marketing strategy. There are four key stages identified in research towards developing and implementing a marketing strategy:

* Stage 1 — Identify and Evaluate Opportunities
* Stage 2 — Analyze Segmants & Select Targets
* Stage 3 — Product, Price & Promotion
* Stage 4 — Analyze the Plan's Performance

Marketing research can help managers to recognize problems and identify opportunities. Estimates of market potential and opportunities can be evaluated using many performance criteria. Research can also help predict changes in environmental conditions or demand.

Research helps identify those segments of the market with different characteristics from the overall market.

* Product Research - evaluate existing or potential product lines.
* Price Research - learn the ideal price level(s).
* Place (Distribution) Research - identify the most efficient and practical distribution network.
* Promotion Research - investigate the effeciency of different promotional tools.

Marketing research helps inform managers if the planned activities were properly executed and are accomplishing what they were expected to accomplish. If this research indicates that things are no going as planned, further research may be required to explain why something "went wrong.".

**When is Marketing Research Needed?**

Marketing Research is a valuable aid to strategic decision making, however not all marketing decisions lend themselves to marketing research input. Several questions need to be asked before marketing research is employed in the decision making process:

Question 1: Is there enough time to do the research? Decisions that require a quick response do not lend themselves to a drawn out research process.

Question 2: Is there any information available? If there is plenty of information around to support a particular decision path then further research may not be required.

Question 3: Is the decision critical? Consideration must be given to how much impact a decision will have on a particular organization. A decision to buy a relatively small inexpensive item, for example, should not require an extensive research process.

Question 4: Does the potential benefit provided by conducting research outweigh the potential costs of conducting the research. A value assessment must be conducted in order to gauge the need of the marketing research.

If the answer to either of these questions is “no,” then marketing research should not be conducted.

**Marketing Research Trends**

Today’s Marketing Research techniques, like all business activity today, are being strongly influenced by two major trends in business:

Globalization of Business - Marketing research, like all business activity, has increasingly become more global. Marketing Research firms tend to be getting larger and are forming strategic alliances with their counterparts around the world.

The Internet – The Internet allows business and individuals to access information from many sources very quickly and at a very small cost. Web sites, online databases and online surveys can be accessed by millions all over the world.

**Decision Making**

Decision making is the process to resolve a problem or to choose from a series of alternative opportunities. Good decision making requires the decision maker to recognize the nature of the problem or opportunity, determine how much relevant information is available, and then to recognize what information is useful to make the decision.

Not all decision situations are the same. Each individual marketing problem or decision making situation can be classified on a continuum ranging from complete certainty to absolutely uncertain. As problems and opportunities become more uncertain there is an increased need to conduct additional research.

**The Characteristics of Valuable Information**

Not all information is useful to decision makers. In order to measure the value of information to decision makers, marketing information must have four of the following Characteristics:

Relevance: To be relevant the information must meet the needs of the decision maker - it must be helpful in clarifying the questions the the decision maker faces.

* Quality: The information must be true. High quality information is accurate, valid and reliable. To ensure quality collect data from recognized sources.
* Timeliness: Good information is recent information.
* Completeness: Complete information contains the right quantity of information.

**Types of Marketing Research**

Marketing Research can be classified on the basis of purpose. There are three basic types of Marketing Research

**Type 1 - Exploratory research.**

Exploratory Research is conducted to classify the nature of problems. It is not intended to provide conclusive evidence from which a particular course of action can be determined. Exploratory research merely crystallizes the problem and identifies information needed—subsequent research is usually required.

**Type 2 - Descriptive research.**

Descriptive research is conducted to discover and determine the characteristics of a population. It seeks to determine the answers to the questions “who,” “what,” “when,” “where,” and “how.” It does not tell us “why.” Although it is impossible to completely eliminate error, this type of research should be conducted as accurately as possible because, unlike exploratory research, the evidence it provides will be used to determine a course of action.

**Type 3 - Causal research.**

Causal research attempts to identify cause-and-effect relationships between variables. It usually follows exploratory and descriptive research and, therefore, the researchers are quite knowledgeable about the subject. Causal research attempts to establish that when we do one thing (e.g., increase advertising), another will follow (e.g., increased sales).

Before making a conclusion as to the cause, the researcher should:

* establish the appropriate causal order or sequence of events.
* measure the concomitant variation (the occurrence of the two phenomena or events varying together) between the presumed cause and the presumed effect.
* recognize the presence or absence of alternative plausible explanations or causal factors; there may be a “plurality of causes” for the observed effect

**Stages in the Marketing Research Process**

Collecting Marketing Research

Some organizations rely on Marketing Research more than others. As organizations become larger and more sophisticated there will be a natural shift away from “gut” intuitive decision making to a more formal decision making structure based guided by evidence. Over time managers gain experience and become increasingly familiar with marketing research and begin to rely on it. They begin to use research more often and begin to recognize occasions when it should be applied.

Firms have two basic choices in collecting research: Develop an internal research capability with the creation of a Marketing Research Department or hire a research consultant when the need arises.

Marketing Research Department

In a small firm, Research is often conducted buy one or two individuals whose job it is to scan the environment, collect data and interpret from it preferred courses of action.

In a medium-sized firm, the marketing research may also be performed by the planning department with outside help from a research company. As the marketing department grows, it may specialize by product or department.

Many large organizations specialize by product or service or function. A popular specialization investigates market-driven quality. A manager of customer quality research specializes in conducting surveys to measure customer satisfaction with product or service quality.

The relationship between the marketing research department and the decision makers (users) of marketing research is frequently a rocky one laced with conflict. Some of the reasons for this conflict are listed below:

* research findings may criticize the line executives’ decisions.
* some managers may be more concerned that the researchers conduct a cheap project than a good project.
* the research manager may be presented with an emergency request that has not been planned. If this emergency request is the result of something that has gone wrong, then the research may produce data that presents the decision makers unfavorably. Good research takes time and, if it is not planned, can result in a “quick and dirty” study.
* some managers regard marketing as an art and revel in the chaos associated with intuitive decision making. They may see research as taking the fun out of their jobs.
* Not all research can be done internally. The marketing research manager must also interact with research suppliers, or commercial marketing research services.

To reduce this potential conflict between management and research it is critical to have good channels of communication between the two. Researchers must realize that information is sometimes needed urgently. Their research should be oriented towards decision making and they should strive to seek cost-saving research alternatives.

**External Consultants**

When the services of an outside research company are hired, the marketing research manager’s job becomes primarily administrative.

Upon receiving a request for research, the research manager must decide whether to “make” or “buy”. There are certain factors and advantages to consider when contemplating using the services of an outside researcher:

* the expertise that an external company has gained through experience
* the urgency of the decision
* the lack of availability of the internal researchers
* economic factors
* the need for objectivity, especially when two internal interest groups are involved
* confidentiality, which may be a prime consideration, especially if a dramatic, innovative change in an organization’s marketing plan is involved.

**Ethics in Marketing Research**

The rights and obligations of individuals are generally dictated by the norms of society. Societal norms are codes of behavior adopted by a group; they suggest what a member of a group ought to do under given circumstances. This chapter reflects the author’s perceptions of the norms of our society.

**General Rights and Obligations of Concerned Parties**

In most research situations, three parties are involved: the researcher, the sponsoring client (user), and the respondent (subject).

General business ethics should be a standard for marketing research firms and marketing research departments.

**Rights and Obligations of the Researcher**

* the purpose of research is research: Researchers are expected to not misrepresent a sales tactic as marketing research.
* objectivity: Researchers should maintain high standards to ensure that the data are accurate.
* misrepresenting research: The researcher has an obligation to both the client and the subjects to honestly analyze the data and to correctly report the actual data.
* protect the right to confidentiality of both subjects and client: It is the researcher’s responsibility to ensure that the privacy and anonymity of the respondents are preserved.

**Rights and Obligations of the User of the Information**

* ethics between buyer and seller: The general business ethics expected between a purchasing agent and a sales representative should hold in the marketing research situation.
* an open relationship with research suppliers The client sponsor has the obligation to encourage the research supplier to objectively seek out the truth.
* an open relationship with interested parties: Conclusions should be based on the data.
* privacy: If respondents have been deceived about the purpose of the study and then their names are sold as part of a user mailing list, this practice is certainly unethical. The client as well as the research supplier has the obligation to maintain the respondent’s privacy.
* commitment to research: The client has the obligation to be serious about considering a project before soliciting proposals.
* pseudo-pilot studies: Clients should be open about the marketing problem to be investigated.

**Rights and Obligations of the Respondent**

* the obligation to be truthful: This issue involves the subject’s freedom to choose whether or not to comply with the investigation request.
* privacy: Standards of common courtesy have been set by interviewing firms.
* deception: Researchers should not create a false impression by disguising the purpose of the research.
* the right to be informed: Subjects have a right to be informed of all aspects of the research. This includes information about its purpose and sponsorship.

**Applying the Concepts - Internet Links for Further Reading**

***Marketing Research defined:***

* Wikipedia:  [**Market research** - Wikipedia, the free encyclopedia](http://en.wikipedia.org/wiki/Market_research)
* American Marketing Association **-** [**Marketing Research** - American **Marketing** Association](http://www.marketingpower.com/content1051.php)
* QuickMBA: [**Marketing Research**](http://www.quickmba.com/marketing/research/)

***The Marketing Concept defined:***

* The Net MBA: [**Marketing Concept**](http://www.netmba.com/marketing/concept/)

***Exploratory Research defined:***

* [Models in the **Research** Process](http://www2.uiah.fi/projects/metodi/177.htm)

***Descriptive & Causal Research defined:***

* [Descriptive research](http://en.wikipedia.org/wiki/Descriptive_research)
* [Descriptive vs. **Causal** Questions](http://spsp.clarion.edu/mm/RDE3/C6/CausalvsDescriptiveAct.html)

***Stages of the Marketing Research Process:***

* [Polaris **Marketing Research** - 6 Steps To **Marketing Research**](http://www.polarismr.com/education/steps_index.html)

***Ethics in Marketing Research***

* Marketingprofs.com:  [The **Ethics** of **Marketing Research**](http://www.marketingprofs.com/5/fodness1.asp)

**Glossary of Terms**

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| **Chapter 1** |
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| **Chapter 2** |
| |  |  | | --- | --- | | **Content providers** | Parties that furnish information on the World Wide Web. | | **Cookies** | Small computer files that a content provider can save onto the computer of someone who visits its website. | | **Customer relationship management (CRM)** | Part of the DSS that addresses exchanges between the firm and its customers. | | **Data** | Facts or recorded measures of certain phenomena (things). | | **Data quality** | The degree to which data represent the true situation. | | **Data warehouse** | The multitiered computer storehouse of current and historical data. | | **Data warehousing** | The process allowing important day-to-day operational data to be stored and organized for simplified access. | | **Data wholesalers** | Companies that put together consortia of data sources into packages that are offered to municipal, corporate, and university libraries for a fee. | | **Database** | A collection of raw data arranged logically and organized in a form that can be stored and processed by a computer. | | **Decision support system (DSS)** | A computer-based system that helps decision makers confront problems through direct interaction with databases and analytical software programs. | | **Electronic data interchange (EDI)** | Type of exchange that occurs when one companys computer system is integrated with another companys system. | | **Environmental scanning** | Entails all information gathering designed to detect changes in the external operating environment of the firm. | | **Global information system** | An organized collection of computer hardware, software, data, and personnel designed to capture, store, update, manipulate, analyze, and immediately display information about worldwide business activity. | | **Host** | Where the content for a particular website physically resides and is accessed. | | **Information** | Data formatted (structured) to support decision making or define the relationship between two facts. | | **Information completeness** | Having the right amount of information. | | **Interactive medium** | A medium, such as the Internet, that a person can use to communicate with and interact with other users. | | **Internet** | A worldwide network of computers that allows users access to information from distant sources. | | **Intranet** | A companys private data network that uses Internet standards and technology. | | **Keyword search** | Takes place as the search engine searches through millions of web pages for documents containing the keywords. | | **Market intelligence** | The subset of data and information that actually has some explanatory power enabling effective decisions to be made. | | **Proprietary marketing research** | The gathering of new data to investigate specific problems. | | **Pull technology** | Consumers request information from a web page and the browser then determines a response; the consumer is essentially asking for the data. | | **Push technology** | Sends data to a users computer without a request being made; software is used to guess what information might be interesting to consumers based on the pattern of previous responses. | | **Relevance** | The characteristics of data reflecting how pertinent these particular facts are to the situation at hand. | | **Scanner data** | The accumulated records resulting from point of sale data recordings. | | **Search engine** | A computerized directory that allows anyone to search the World Wide Web for information using a keyword search. | | **Smart agent software** | Software capable of learning an Internet users preferences and automatically searching out information in selected websites and then distributing it. | | **Timeliness** | Means that the data are current enough to still be relevant. | | **Uniform Resource Locator (URL)** | A website address that web browsers recognize. | | **World Wide Web (WWW)** | A portion of the Internet that is a system of computer servers that organize information into documents called web pages. | |
| **Chapter 3** |
| |  |  | | --- | --- | | **Categorical variable** | A variable that indicates membership in some group. | | **Causal inference** | A conclusion that when one thing happens, another specific thing will follow. | | **Causal research** | Allows causal inferences to be made. That is, it seeks to identify cause-and-effect relationships. When something *causes* an effect, it means it brings it about or makes it happen. The effect is the outcome. | | **Classificatory variable** | Another term for a categorical variable because it classifies units into categories. | | **Concomitant variation** | One of three criteria for causality. It occurs when two events *covary*, meaning they vary systematically. | | **Continuous variable** | A variable that can take on a range of values that correspond to some quantitative amount. | | **Data analysis** | The application of reasoning to understand the data that have been gathered. | | **Deliverables** | The term used often in consulting or applied market research to describe the objectives. | | **Dependent variable** | A process outcome or a variable that is predicted and/or explained by other variables. | | **Descriptive research** | Describes characteristics of objects, people, groups, organizations, or environments. Descriptive research tries to paint a picture of a given situation. | | **Diagnostic analysis** | Seeks to diagnose reasons for market outcomes and focuses specifically on the beliefs and feelings consumers have about and toward competing products. | | **Empirical testing** | Means that something has been examined against reality using data. When the data are consistent with a hypothesis, we say the hypothesis is *supported*. | | **Exploratory research** | Conducted to clarify ambiguous situations or discover ideas that may be potential business opportunities. | | **Focus group** | A small group discussion about some research topic led by a moderator who guides discussion among the participants. | | **Hypothesis** | A formal statement explaining some outcome. | | **Independent variable** | A variable that is expected to influence the dependent variable in some way. | | **Literature review** | A directed search of published works, including periodicals and books, that discusses theory and presents empirical results relevant to the topic at hand. | | **Nonspurious association** | One of three criteria for causality. It means any covariation between a cause and an effect is true and not simply due to some other variable. | | **Pilot study** | A small-scale research project that collects data from respondents similar to those to be used in the full study. | | **Pretest** | A small-scale study in which the results are only preliminary and intended only to assist in design of a subsequent study. | | **Research design** | A master plan that specifies the methods and procedures for collecting and analyzing the needed information. | | **Research objectives** | The goals to be achieved by conducting research. | | **Research program** | Numerous related studies that come together to address multiple, related research objectives. | | **Research project** | A single study that addresses one or a small number of research objectives. | | **Sampling** | Involves any procedure that draws conclusions based on measurements of a portion of the population. | | **Survey** | A research technique in which a sample is interviewed in some form or their behavior is observed and described in some way. | | **Temporal sequence** | One of three criteria for causality. It deals with the time order of events. The cause must occur before the effect. | | **Theory** | A formal, logical explanation of some events that includes predictions of how things relate to one another. | | **Unobtrusive methods** | Methods in which research respondents do not have to be disturbed for data to be gathered. | | **Variable** | Anything that varies or changes from one instance to another; a variable represents differences in value, usually in magnitude, strength and/or direction. | |
| **Chapter 4** |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Advocacy research** | Research undertaken to support a specific claim in a legal action or represent some advocacy group. | | **Confidentiality** | The information involved in research will not be shared with others. | | **Conflict of interest** | Occurs when one researcher works for two competing companies. | | **Cross-functional teams** | Employee teams composed of individuals from various functional areas such as engineering, production, finance, and marketing who share a common purpose. | | **Custom research** | Research projects that are tailored specifically to a clients unique needs. | | **Director of marketing research** | This person provides leadership in research efforts and integrates all staff-level research activities into one effort. The director plans, executes, and controls the firms marketing research function. | | **Do Not Call legislation** | Restricts any telemarketing effort from calling consumers who either register with a no-call list or who request not to be called. | | **Ethical dilemma** | Refers to a situation in which one chooses from alternative courses of actions, each with different ethical implications. | | **Forecast analyst** | Employee who provides technical assistance such as running computer programs and manipulating data to generate a sales forecast. | | **Human subjects review committee** | Carefully reviews proposed research design to try to make sure that no harm can come to any research participant. | | **Idealism** | A term that reflects the degree to which one bases ones morality on moral standards. | | **In-house research** | Research performed by employees of the company that will benefit from the research. | | **Informed consent** | When an individual understands what the researcher wants him or her to do and consents to the research study. | | **Manager of decision support systems** | Employee who supervises the collection and analysis of sales, inventory, and other periodic customer relationship management (CRM) data. | | **Marketing ethics** | The application of morals to behavior related to the exchange environment. | | **Moral standards** | Principles that reflect beliefs about what is ethical and what is unethical. | | **Mystery shoppers** | Employees of a research firm that are paid to pretend to be actual shoppers. | | **Outside agency** | An independent research firm contracted by the company that actually will benefit from the research. | | **Relativism** | A term that reflects the degree to which one rejects moral standards in favor of the acceptability of some action. This way of thinking rejects absolute principles in favor of situation-based evaluations. | | **Research analyst** | A person responsible for client contact, project design, preparation of proposals, selection of research suppliers, and supervision of data collection, analysis, and reporting activities. | | **Research assistants** | Research employees who provide technical assistance with questionnaire design, data analyses, and similar activities. | | **Research suppliers** | Commercial providers of marketing research services. | | **Spyware** | Software placed on a computer without consent or knowledge of the user. | | **Standardized research service** | Companies that develop a unique methodology for investigating a business specialty area. | | **Syndicated service** | A marketing research supplier that provides standardized information for many clients in return for a fee. | | | |